MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

MULTIMEDIA UNIVERSITY

SUPPLEMENTARY EXAMINATION

TRIMESTER 1, 2015/2016

BEM2044 – THE ECONOMY OF MALAYSIA / BME2044 – MALAYSIAN ECONOMY

(All Section/Group)

18 NOV 2015
9.00 AM – 11.00 AM
(2 HOURS)

INSTRUCTION TO STUDENT

1. This question paper consists of **EIGHT (8) pages** including cover page with Section A, Section B and Section C.
2. Section A consists of **TWENTY (20)** Multiple Choice Questions. Section B consists of **ONE (1)** Case Study. Section C consists of **TWO (2)** Structured Questions.
3. Answer Section A in the Multiple Choice Answers Sheet provided. Answer Section B and C in the answer booklet provided.
4. The marks distribution for each question is as given. Total mark is 100.
5. Answer **ALL** questions.

SECTION A: MULTIPLE CHOICE QUESTIONS (40 MARKS)

Instruction: Answer all the questions in the multiple choice answers sheet provided.

1. Which of the following programmes is **NOT** included in New Economic Policy (NEP) to restructure society in order to eventually eliminate the identification of race based on economic function?

   a) The establishment of new growth centres.
   b) The provision of improved input and facilities in existing agricultural areas.
   c) The rapid and balanced development of urban activities.
   d) The creation of a Malay commercial and industrial community in all levels of economic operation.

2. Which of the following is medium-term plan for Malaysia?

   a) Third Outline Perspective Plan.
   b) Economic Transformation Programme.
   c) Industrial Master Plan.
   d) 10th Malaysia Plan.

3. Vision 2020 covers the periods from

   a) 1991 to 2020
   b) 1990 to 2020
   c) 2000 to 2020
   d) 2001 to 2020

4. Which of the following statements is **FALSE** about Vision 2020?

   a) To become a fully developed and industrialised country.
   b) To improve cost of living.
   c) It is a 30-year plan.
   d) To strike the right balance to restore socio-economic stability.

5. Which Malaysia plan falls under the New Economic Model?

   a) 8th Malaysia Plan.
   b) 9thMalaysia Plan.
   c) 10th Malaysia Plan.
   d) 11th Malaysia Plan.

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6. Which of the following strategic thrusts is **NOT** included in Eleventh Malaysia Plan (11 MP)?

   a) Accelerating human capital development for an advanced nation.
   b) Strengthening the public sector.
   c) Re-engineering growth for greater prosperity.
   d) Enhancing inclusiveness towards an equitable society.

7. Which of the following is **NOT** the National Key Economic Area of Economic Transformation Programme (ETP)?

   a) Public sector.
   b) Agriculture sector.
   c) Tourism sector.
   d) Wholesale and retail sector.

8. Which of the following statement is **FALSE** about 11th Malaysia Plan?

   a) The GDP per capita is estimated to increase.
   b) The GNI per capita is estimated to increase.
   c) Labour productivity is estimated to increase.
   d) The government debt is estimated to increase.

9. Which of the following statements is **TRUE**?

   a) FELDA was formed in 1956 to help the rural Malays by giving them a short-term advance to maintain their smallholdings under land development schemes.
   b) PORIM is responsible for coordinating publicity and marketing activities related to palm oil products.
   c) NAP 3 emphasizes much on the issues of productivity, efficiency as well as competitiveness in Malaysian agriculture.
   d) The estate sub-sector is the main contributor to food crop production.

10. Agricultural-related policies are implemented to transform agriculture and agro-based industry into the following characteristics **EXCEPT**

    a) Modern.
    b) Dynamic.
    c) Sustainable.
    d) Competitive.

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11. Which of the following is **NOT** one of the benefits of attracting foreign direct investment?

    a) Knowledge transfer.
    b) Promote research and development.
    c) Human capital development.
    d) Foreign exchange reserves decrease.

12. Which of the following is **TRUE** about the automotive industry in Malaysia?

    a) Imported cars dominate the Malaysian automotive market nowadays.
    b) High tariff is levied on the imported cars in order to protect domestic automotive industry.
    c) Perodua is Malaysian first national car manufacturer.
    d) The stress of local car manufacturers do not heightened even with the liberalization of the automotive market.

13. Which of the following is one of the reasons of merging in telecommunication industry in Malaysia?

    a) To improve the quality of product and service.
    b) To maximize profit.
    c) To fight competition from foreign telecommunication companies.
    d) None of the above.

14. Which of the following is a local commercial bank in Malaysia?

    a) Federal Reserve Bank.
    b) Standard Chartered Bank.
    c) Alliance Bank.
    d) United Overseas Bank.

15. Which of the following is **TRUE**?

    a) The Gini coefficient of 1 represents prefect equality of income distribution
    b) A disadvantage of the Gini Coefficient is that it is sensitive to changes in the middle distribution compared to changes at both extremes of the income dispersion
    c) EPF is optional savings, a means of channelling funds from the productive young to the unproductive old.
    d) Hardcore poverty is measured using income parity ratio among different income groups in the rural and urban areas

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16. Tourists to Malaysia largely come from a few major markets, **EXCEPT**:

    a) ASEAN.
    b) Eastern Asia.
    c) Oceania.
    d) Africa.

17. Which of the following is **NOT** a key characteristic of a K-economy?

    a) Continuous innovation.
    b) Balanced development.
    c) Knowledge expansion.
    d) Flexibility and responsiveness of various economic activities.

18. One of the causes of the 2008/09 Global Financial Crisis is

    a) Bank run.
    b) Government fiscal imbalance.
    c) Asset market effects on balance sheets.
    d) The failure of credit rating agencies.

19. The followings are the benefits of an optimum currency area **EXCEPT**

    a) Rigid prices.
    b) Greater price transparency.
    c) Strengthen the internal market.
    d) Lower investment risks.

20. ASEAN 5 consists of

    a) Malaysia, Thailand, Singapore, India and Indonesia.
    b) Malaysia, Cambodia, Vietnam, India and Thailand.
    c) Malaysia, Thailand, Singapore, Philippines and Indonesia.
    d) Malaysia, Brunei, Singapore, Indonesia and Myanmar.

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SECTION B: CASE STUDY QUESTIONS (30 MARKS)

Is Malaysia in Middle-Income Trap?

THE next six years will be a crucial period for Malaysia, as it strives to break out of the middle-income rank to become what World Bank would categorise as a "high-income nation". Indeed, with a gross national income (GNI) per capita of US$9,820 (RM32,235) in 2012, Malaysia is already on the cusp of graduating from an upper-middle income to a high-income economy, which, according to World Bank's definition in 2012, is one with a GNI per capita of more than US$12,615. Yet, economists continue to propound that being a developed nation is not just about meeting the numbers set by the intergovernmental organisation, but it is also about achieving quality, equitable and sustainable growth for the long term.

As independent consultant and economist Dr Vijayakumari Kanapathy puts it, "reaching the target (as set by World Bank) does not really make one a high-income nation... for the country can always fall back (to its previous level) if its economic fundamentals are not strong". In the case of Malaysia, which aims to achieve the high-income status as defined by World Bank by 2020, Vijayakumari says how the country manages the process towards that goal is even more crucial than merely meeting the requirements to be in the club of high-income nation six years down the road."What we need is to achieve a 'steady-state' growth, which we have yet to do so," Vijayakumari points out as she presents the findings of a case study on Malaysia's economy over the week.

Experts have long pointed out that beyond the headline numbers that continue to paint a somewhat rosy picture for Malaysia's economy amid a weak global economic environment are risks that are hindering the country's continued progress. And according to a report by The Asia Foundation (TAF), an international non-profit organisation headquartered in the United States, Malaysia continues to struggle in addressing the identified challenges that are preventing or delaying the country's shift to high-income status.

The recently launched report, entitled "Middle-Income Trap: Economic Myth, Political Reality", is based on case studies from Malaysia and Thailand. The case studies adopt a political-economy approach to examine the underlying dynamics that are deterring meaningful structural reforms in both countries. The section on Malaysia was co-authored by Vijayakumari and TAF's deputy country representative Herizal Hazri. Both the authors note that despite the numerous bold policy measures and long-term plans introduced by the Government over the years, Malaysia's economic progress continues to be plagued by a lack of innovation and skills, low level of investments in technology, declining standards in education, relatively high labour cost and sluggish productivity growth. To put it simply, Malaysia's economy is displaying the symptoms of "middle-income trap".

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"Despite the policy focus and increased investment to address these weaknesses, progress has been, at best, modest," TAF highlights in its report. While the TAF report concedes that there has been some positive policy innovation in Malaysia in recent years, the stated reform measures have only focused on addressing the symptoms of "middle-income trap", rather than the underlying causes of the country's economic uncompetitiveness. The TAF report also observes that even with the raft of measures to improve Malaysia's economy, implementing meaningful reforms has not been an easy feat for policymakers given the existing political system of the country. It points to the fact that strong pressure groups, even from within the ruling coalition who can benefit from the status quo or business-as-usual arrangements, continue to contest vigorously the reform measures introduced by policymakers.

"The on-going economic and government transformation programmes may spike growth in the short term, but sustainable broad-based growth to escape the 'middle-income trap' requires parallel socio-political transformation," the report emphasises. In that sense, it says, there is a compelling need for Malaysia to shift from a race-based to a needs-based policy in order to address imbalances in society and improve the democratic process to ensure good governance and that the rule of law prevails."There must be adequate checks and balances to maintain the integrity of Malaysia's key institutions," the report argues, adding that corruption must be addressed and greater transparency and accountability is needed so that developmental outcomes are just.

Source: Kok, C. (2014, January 11). Is Malaysia in Middle-Income Trap? *The Star Online*. Retrieved June 30, 2015, from http://www.thestar.com.my/Business/Business-News/2014/01/11/Is-Msia-in-middleincome-trap-Underlying-political-dynamics-a-major-barrier-to-economic-reform/?style=biz

Based on the article above, answer the following questions:

(a) Other than GNI per capita, discuss **THREE (3)** requirements for Malaysia to be a high income country. (6 marks)

(b) Identify and elaborate **FIVE (5)** reasons that Malaysia is currently suffering from middle income trap. (15 marks)

(c) Evaluate **TWO (2)** economic policies that Malaysian government has implemented in order to push Malaysia towards a high income country. (9 marks)

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SECTION C: STRUCTURED QUESTIONS (30 MARKS)

Question 1 (16 marks)

a) *"Malaysia is a highly open economy. This has been indicated by its high trade volume with other countries as well as its progress of financial liberalization. This year, 11th Malaysia Plan has been announced and one of the strategic thrusts stated that Malaysian economy must be placed on a solid foundation to withstand external shocks and generate undisrupted prosperity for the people."*

Based on the statement above, do you think that Malaysian economy could constantly withstand external shocks? Justify your answer in terms of **FIVE (5)** challenges that the Malaysian economy would likely to face. (10 marks)

b) Malaysia is losing its competitiveness in attracting foreign direct investment (FDI) since the rise of China and India. However, there are several factors that could attract FDI into Malaysia. Briefly explain **THREE (3)** potential factors in attracting FDI into Malaysia. (6 marks)

[Total: 16 marks]

Question 2 (14 marks)

a) Define globalisation. Discuss **TWO (2)** advantages and **ONE (1)** disadvantage of globalisation. (8marks)

b) Tourism sector is an excellent economic activity that contributes positively to GDP and generates employment opportunities. Suggest **TWO (2)** ways to promote Malaysian tourism sector. (6 marks)

[Total: 14 marks]

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